

**REGULAR STATE BANKING BOARD MEETING
HELD BY CONFERENCE CALL
OFFICE OF THE COMMISSIONER
DEPARTMENT OF FINANCIAL INSTITUTIONS
2000 SCHAFER STREET, SUITE G
BISMARCK, NORTH DAKOTA**

November 8, 2007

The regular meeting of the State Banking Board was held in the Office of the Commissioner, Department of Financial Institutions, 2000 Schafer Street, Suite G, Bismarck, North Dakota. Chairman Karsky called the meeting to order at 9:02 a.m., Thursday, November 8, 2007, by conference call.

MEMBERS PRESENT: Timothy J. Karsky, Chairman (*Office*)
Ron Braseth, Member (*Mayville*)
Lorren Henke, Member (*Jamestown*)
Launa Moldenhauer, Member (*Bismarck*)
Roger Monson, Member (*Finley*)
Anita Quale, Member (*Watford City*)

MEMBER ABSENT: Bill Daniel, Member

ALSO PRESENT: Robert J. Entringer, Secretary (*Office*)
Douglas D. Grenz, Chief Examiner – Banks (*Office*)
Aaron Webb, Assistant Attorney General (*Office*)

APPROVAL OF MINUTES

Chairman Karsky indicated the Board received copies of the minutes of the regular meeting held on September 13, 2007.

It was moved by Member Monson, seconded by Member Quale, and carried by a vote of 6 to 0, with Member Daniel absent, to approve the minutes as presented.

APPLICATION FOR LIMITED TRUST POWERS BY CORNERSTONE BANK, ENDERLIN

Assistant Commissioner Entringer indicated the application is very limited in that all the bank is asking for is trust powers to act as trustee for Motor Carrier Shipper Bonding requirements under the Federal Motor Carrier Safety Administration regulations. Assistant Commissioner Entringer directed the Board's attention to the Property Brokers Trust Fund Agreement which provides that a motor carrier must provide a bond and if something happens, the person receiving the shipment can file a claim against the bond and the trustee would pay out the claim. The request for trust powers is very limited and it does not appear to be a very complicated issue; however, since they are a trustee under the terms of the Agreement the bank would need trust powers.

Member Braseth asked if the maximum limit was \$10,000, and Assistant Commissioner Entringer indicated it was. Assistant Commissioner Entringer noted he has discussed this Agreement with the FDIC trust specialist, who concurred that trust powers are required and the FDIC would also have to grant trust powers to the bank in order for them to act as trustee.

Chairman Karsky noted we did not limit the exposure within the Order so that if the federal requirements go up to \$15,000 or \$20,000 in the next year the bank could go up to that limit also.

Assistant Commissioner Entringer stated there should not be any risk to the bank because if the limits go up, the motor carrier would have to provide the cash for the bond. The only risk to the bank would be if they paid out a claim and the motor carrier would then sue the bank for paying the claim; adding that it should be fairly straightforward. Assistant Commissioner Entringer indicated the Order limits the trust powers to the motor carrier shipper bonding requirements under the Federal Motor Carrier Safety Administration regulations. Assistant Commissioner Entringer noted this is all the bank can do with these trust powers; however, it can certainly return and ask for an expansion of its trust powers at a later date.

Chairman Karsky noted the Department recommends approval for the trust powers and approval of the Order.

It was moved by Member Monson and seconded by Member Moldenhauer that the application by Cornerstone Bank, Enderlin, for limited

trust powers be approved, and that Chairman Karsky is authorized to sign the Order on behalf of the Board. The motion carried by a vote of 6 to 0, with Member Daniel absent.

TURTLE MOUNTAIN STATE BANK, BELCOURT

Chairman Karsky indicated approximately one month ago he got a call from the applicants indicating that the FDIC was stalling and likely not going to approve the proposed retail banking manager. Chairman Karsky indicated he wrote a letter to the Regional Director asking them to reconsider their position, and later received notice FDIC was not going to reconsider its decision. Chairman Karsky then phoned the FDIC Director of Supervision and Tom Curry (one of the directors of the FDIC), and by the end of the day the FDIC had reconsidered its position.

Assistant Commissioner Entringer indicated there is a pre-opening meeting scheduled with the FDIC and bank organizers on November 15, 2007. The purpose of this meeting is for the FDIC to review the requirements of the Order, as well as a discussion of what the examination cycle will be for safety and soundness, as well as compliance, BSA, and IT. Assistant Commissioner Entringer indicated the Department's role will be to present the charter to the organizers. Assistant Commissioner Entringer stated it is his understanding there will be a "soft" opening on November 19, 2007. Assistant Commissioner Entringer stated the grand opening had been planned for mid-December, but has been postponed in order that Senator Conrad may attend.

Chairman Karsky indicated the grand opening is scheduled for mid-January 2008, and if any of the Board members are interested in attending, they are certainly welcome.

Member Braseth asked what the timeframe is for the first examination and who would conduct that examination. Assistant Commissioner Entringer stated the first examination will be within six months of opening, and Chairman Karsky indicated it would most likely be a joint examination. Chairman Karsky added the Department would likely do a visitation within 30-60 days of opening to make sure there are not any red flags or things that cannot be corrected right away. Assistant Commissioner Entringer indicated the exam cycle for a de novo charter is a visitation within the first six months, followed by a full exam within 12 months of opening, which would likely be a joint examination, and after that the examinations

are conducted on an annual basis, adding it is possible if everything goes well at the first examination the FDIC may defer to the state to do the next examination, and the third examination would be conducted by the FDIC. Assistant Commissioner Entringer stated if all goes well in the first three examinations, the examination cycle would then revert to an 18 month cycle.

Member Henke asked if the applicants were able to find a retail banking manager. Assistant Commissioner Entringer stated they did and it was the individual they had proposed; however, in order to satisfy the FDIC the bank had to restrict her lending authority to zero and change the lending policy to reflect the restrictions that were required to get FDIC approval.

FARM CREDIT SYSTEM UPDATE

Chairman Karsky indicated a couple of weeks prior the Department heard the Farm Credit Bill was going to come out of the Committee and restrict the Horizon's project, adding that CSBS was happy with this development. Chairman Karsky indicated he was in Washington, DC, last week meeting with the FDIC and representatives of CSBS, and found out that Senator Chambliss may be putting an amendment on the Farm Credit Bill this week allowing Farm Credit System to make real estate loans in communities up to 7,500 in population, and to make bio fuel type loans. Chairman Karsky stated it does not sound bad when you first think about it; however, it essentially opens the door for Farm Credit to expand and then its interpretation of bio fuel could get expanded to very liberal terms. Chairman Karsky stated he hopes this amendment will not get introduced, adding that he is aware the American Bankers Association is following this bill closely and he expects the bankers will call and talk to their senators to make sure this amendment does not get passed.

Chairman Karsky asked Member Monson if he had heard anything, and Member Monson indicated he had heard on the news yesterday that the Chairman of the Committee had set a moratorium on amendments to the Farm Credit Bill because other people were trying to attach things to the bill; therefore, the Chairman indicated he would not accept amendments since there is not much time between now and the Thanksgiving break. Member Monson stated apparently Senator Chambliss had not gotten his amendment added because the banks had not heard anything. Chairman Karsky added he had heard it could possibly be a floor amendment.

Chairman Karsky indicated he had asked Senator Conrad at the EideBailly seminar last week whether he was aware of the amendment proposed by Senator Chambliss, and Senator Conrad indicated he was not; however, he stated if it was necessary to add that amendment to get the Farm Bill passed, he would support it.

SUBPRIME LENDING

Chairman Karsky indicated he is expecting a bill on subprime lending to come out before yearend.

MEETING DATES FOR 2008

The 2008 meeting dates were set for January 10, March 13, May 8, July 10, September 11, and November 13.

CSBS ANNUAL MEETING AND CONFERENCE

Chairman Karsky stated the CSBS annual meeting will be held in Amelia Island, Florida, May 20-22, 2008. Chairman Karsky stated this is when he will be installed as Chairman of CSBS, and was hopeful that all the State Banking Board members would be able to attend.

The Board went into closed session at 9:23 a.m.

Timothy J. Karsky, Chairman

Robert J. Entringer, Secretary